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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam (Weekly)

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4 December 1967
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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(27 November - 3 December 1967)

C O N T E N T S

Section

POLITICAL SITUATION

I

Some discontent with new government;
Military manpower; Lower House activities.

REVOLUTIONARY DEVELOPMENT

II

Revolutionary Development, public adminis-
tration, and corruption; Plans for new
political party; Press and information;

[redacted] Deployment of Revolu-
tionary Development and Truong Son teams, 1 Novem-
ber. (Map)

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ECONOMIC SITUATION

III

Prices; Currency and gold.

ANNEX: Weekly Retail Prices in Saigon (table)
Saigon Free Market Gold and Currency Prices
(graph)

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I. POLITICAL SITUATION

There is apparently growing discontent with the new government among some of the senior generals, particularly supporters of Vice President Ky, but Ky is counseling moderation and has already averted one potential crisis by persuading police director Loan to withdraw his resignation for the time being. The Senate, concerned that the government's mobilization decree may be unconstitutional because it was promulgated before the full legislature had been invested, intends to invite Prime Minister Loc to discuss the decree and answer questions. A number of Lower House deputies spent a recent ten-day recess seeking better security and more government assistance for their constituents. Members of two Lower House groups--one oriented toward the Catholics and the other toward the Buddhists--have reportedly agreed to form a loose alliance in an attempt to offset the influence of the progovernment Democratic Bloc.

Some Discontent with New Government

1. Discontent with the new government appears to be growing among at least some of the senior generals. The discontent stems from the continuing Thieu-Ky conflict and from what the generals regard as the new government's "soft" attitude toward Communism.

2. [REDACTED]

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[REDACTED] much of the disenchantment is among Ky supporters. Deep mutual suspicion exists between the Thieu and the Ky camps, [REDACTED] and tends to color the outlook of each, with the result that actions are judged not on their merits but rather in the context of the power struggle. Ky's supporters have come to realize that he does not have the power he had as prime minister and that he is neither making nor significantly influencing key decisions. Their disenchantment is aggravated by Ky's apparent willingness to sit back and take it. [REDACTED]

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[redacted] Ky's supporters, particularly police director Loan and III Corps commander Khang, feel that Ky should be more aggressive in protecting his own and his camp's interests before they are all "forced against the wall" by Thieu.

3. Thieu's appointment of Nguyen Van Huong as his secretary general has apparently brought the discontent to a head. There is, [redacted] a fairly widespread feeling among the generals that Huong is a Communist or at least a pro-Communist, and that his appointment to a position of such power will endanger national security.

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4. Thieu reportedly intends to take on intelligence and budgetary matters as his own responsibilities, rather than the prime minister's. This would give Huong significant access to and influence over these matters. Loan is naturally skeptical about having a man whose background he regards as questionable placed in a position to influence intelligence and security organs. Loan and others close to Ky,

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[redacted] fear that Huong might actually be Thieu's "prime minister designate" who is being kept in readiness for the day when Prime Minister Loc makes a political faux pas.

5. Ky's supporters reportedly fear that Loc is likely to do just that. They think he is too anxious to please everyone, including Communist sympathizers, and is not helping matters by his attitude toward Thieu and Ky. He is courting both men and attempting to act as a bridge between them. The government consequently is acting as three governments rather than as a unified body, in the source's opinion.

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6. Despite all this, [redacted] a political crisis is not imminent. General Khang has reportedly threatened to resign and has said other generals, including Joint General Staff chief Vien, might also quit over what they believe is the government's general lack of effectiveness and its soft attitude toward Communism. [redacted]

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[REDACTED], Ky has reportedly urged Khang and Loan to give Loc a chance, although he agrees that Loc is not particularly effective. Ky has also attempted to stem fears that Nguyen Van Huong will be a danger to the government, pointing out that, even if the accusations are true, Huong will be able to do little for the Communists with the glare of publicity on him and with Ky's supporters alerted to his pro-Communist leanings.

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Military Manpower

9. Defense Minister Vy is reportedly dissatisfied with the caliber of Vietnamese Army officers and is considering revamping the selection process. Rather than use a college degree as the sole criterion for admission to officer candidate school, Vy would reportedly first induct college graduates as privates and then screen them for officer qualifications before giving commissions to those who measure up.

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10. The Senate also took up the subject of military manpower during its session on 25 November, indicating general displeasure with the government's promulgation of the mobilization decree before the legislature had been invested. Although a number of senators criticized the substance of the decree, particularly the lowering of the draft age, the majority were concerned with its constitutionality. It was finally agreed that Prime Minister Loc or his representative should be invited before the Senate to discuss the decree and to answer questions. Final language of the invitation was to have been decided on at the Senate's session on 28 November.

Lower House Activities

11. The Lower House recessed between 21 November and 1 December while its rules committee began work. A number of deputies spent the period seeing to the needs of their constituents. Several members from central highland provinces met with Defense Minister Vy on 21 November to request better security along roads in their area. Other deputies distributed relief supplies in their constituencies or approached the government for such things as more refugee assistance and better compensation for war damage.

12. Several deputies of apparently differing persuasions reportedly spent the recess in forming a loose alliance. [redacted] 19 members of the largely Catholic Independent Group met on 22 November with 13 members of the Progressive Bloc, which is composed primarily of central Vietnamese Buddhists. It was agreed that the two groups could probably never be integrated because of their differing views on some controversial issues, but that these differences should not prevent them from acting in concert on a number of other issues. The stated purpose of the alliance is to prevent domination of the Lower House by the progovernment Democratic Bloc, but the coalition will probably need several additional members before it can effectively counterbalance the influence of the 50-member Democratic Bloc.

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II. REVOLUTIONARY DEVELOPMENT

The problem of corruption seems to be inexorably woven into government attempts to strengthen its national administrative apparatus and make progress in Revolutionary Development. Despite some efforts to eliminate corruption and to upgrade the training of provincial and district officials, corrupt officials at the higher levels of the government are seemingly immune from prosecution. It remains to be seen, however, if the Thieu government will make a genuine effort systematically to root out the dishonest officials.

General Thang and the RD cadre program appear to have become involved in the efforts by Senator Nguyen Gia Hien to form a broadly based political party. Press and information activities have been elevated to the prime minister's office. Korean forces in South Vietnam will reportedly take stronger action against elements of the civilian populace suspected of harboring the Viet Cong. A map is attached which shows the provincial deployment of the RD and Truong Son teams as of 1 November.

Revolutionary Development, Public Administration, and Corruption

1. In a recent conversation with US officials, Vice President Ky described his government's plans for the training of provincial officials at the Vung Tau Revolutionary Development Training Center and for the reorganization of the civil administration. According to Ky, a four-week Vung Tau training course will be instituted in December for selected civilian and military officials. This training will be to give these officials an understanding of their duties and responsibilities and attempt to make clear to them the need for a new approach to Vietnamese

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public administration--providing for the greatest good for the greatest number of people.

2. In his remarks, Ky indicated that most province chiefs would be replaced in January 1968, and that in administrative affairs the chain of command for the province chiefs will be taken out of the hands of the corps and division commanders and authority will be given to the minister of the interior. Corps commanders will, however, retain their military responsibilities. In light of the current political machinations in the South Vietnamese government and the apparently persisting influence of the corps and division commanders, it is somewhat doubtful that province chiefs, almost all of whom are military officers, will accede to the wishes of the Ministry of the Interior in Saigon and not take notice of the desires of the local corps and division commanders.

3. Recent remarks by Colonel Khoi, the chief of the Vietnamese RD Cadre Directorate, have amplified some of Ky's statements. The four-week Vung Tau course will reportedly be mandatory for all province chiefs, district chiefs, and the provincial RD chiefs. According to Khoi, very few Vietnamese Army officers are now requesting assignment to the province and district chief positions and, therefore, military officers are being detailed to these jobs.

4. The reluctance of army officers to seek the province and district commands may be a result of concern on their part that they might be made the scapegoats in any anticorruption drive. Thus far, the only officials known to have been affected by the anticorruption measures of the government have been provincial and district officials. Tran Van Huong, who since his defeat as a presidential contender has assumed the role of an elder statesman, recently told a US Mission officer that he believed the anticorruption campaign would be restricted to the provincial and district levels, since these individuals were by and large without any substantive

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political support. Huong does not believe, however, that the worst offenders--many of whom he believes are occupying high positions in the government will be punished.

5. In early October Nguyen Cao Ky suggested that as vice president he would assume major responsibility for the elimination of the "corrupt elements" in the government. About this same time, there was a spate of Vietnamese press reports on disciplinary measures taken by Ky against allegedly dishonest officials. Ky reportedly authorized sanctions against seven officials in Kien Giang Province: three former province chiefs, one former deputy province chief, and two service chiefs. He also reportedly ordered the removal of the Chief of the Police Special Branch in Vung Tau City and the finance chief in Binh Duong Province, and a reorganization of the automobile registration service in the Ministry of Transport and Communications to "correct its poor procedures." At about this time, the province chief of Phuoc Tuy and the mayor of Vung Tau were replaced.

6. During September-October, the province chief of Binh Dinh was relieved, tried for corruption, and sentenced to death. Several Binh Dinh Province staff officers were tried along with him and also judged guilty; however, they received lesser sentences. The Vietnam Press on 30 October announced that several additional officials involved in the refugee program in Binh Dinh Province had been apprehended for the embezzlement of some 10 million piasters. The former chief of the refugee service in Binh Dinh, the former Hoai Nhon District chief, and several other officials involved in the case have been charged with the misuse of public funds. Investigation of this case was begun on the basis of complaints from the local inhabitants.

7. Blatant corruption has long been reported to be widespread at the higher levels of the government. In this connection, [redacted]

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[redacted] III Corps Commander Khang, who

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reportedly believes that corruption is rampant among several of the higher-ranking generals, has recommended that two corps commanders be replaced. Khang reportedly claims that both II Corps Commander Loc and IV Corps Commander Manh are deeply involved in corruption and should be removed. As an example of their actions, Khang cited their handling of a Tet bonus given all corps commanders last year by then Premier Ky for distribution among their division commanders and other subordinates. In contrast to his own action in distributing the million-piaster bonus as instructed, Khang said that Loc and Manh apparently pocketed most or all of their bonuses. Khang also alleged that Minister of Revolutionary Development Nguyen Bao Tri and Minister of Interior Linh Quang Vien are notoriously corrupt.

8. According to unofficial sources, as many as six province chiefs and 40 to 50 district chiefs have thus far been removed from office. It remains to be seen, however, if the Thieu government will make a genuine effort systematically to root out dishonest officials. The possibility exists that the anticorruption measures initiated during October and November will subside.

Plans for New Political Party

9. General Nguyen Duc Thang has reportedly agreed to use his official position at the Joint General Staff to work with Senator Nguyen Gia Hien to form a broadly based political party.

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10. Hien [redacted] foresees a nonsectarian national political party with his Greater Solidarity Forces (GSF) as the nucleus. Moderate Buddhist Thich Tam Giac has reportedly agreed to provide some of his followers for the plan, and Thang will allegedly attempt to recruit Hoa Hao and Cao Dai cadres to broaden the political base of the proposed party. Hien will begin work on his party in January or February of next year, at which time he intends to announce the formation of a Nationalist Democratic Socialist Front as an extension of his National Democratic Socialist Bloc in the Senate. His organizers in the Revolutionary Development teams will operate under the front's aegis, and he hopes to transform the front into a party by early 1969.

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11. Thang is reported to have been quite enthusiastic over the idea of building a political party system in South Vietnam. [redacted]

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Vice President Ky is said to be aware of Hien's aspiration and has sanctioned the idea of pulling 12 GSF members into RD teams, [redacted]

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12. It appears that Thang, Hien, and Thich Tam Giac are convinced that a political party is needed at the grass roots level to counteract Communist political work. [redacted]

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[redacted] the three men believe such a political party must be created as soon as possible to offset any advantage the Viet Cong might have in the event the war ends by negotiation.

13. A similar plan by Senator Tran Van Don and his followers to establish a grass roots political organization has been developing very slowly. One of the individuals involved in this effort, Tran Van Tuyen, recently told a US Embassy officer that he was very concerned at the lack of any national

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political organization, adding that once the level of hostilities began to subside, political problems would be further compounded if a grass roots political organization was not in place and functioning.

Press and Information

14. In the new government, internal and external press and information activities are being directed from the prime minister's office. The creation of an office of the Director General of Information and Press (DGIP) in the private office of the prime minister, separates Chieu Hoi and Information activities--previously handled by the Ministry of Information and Chieu Hoi. This reorganization suggests that the government has become more concerned with its domestic and international political image. The DGIP is Nguyen Ngoc Linh, an ex-adviser to Vice President Ky and a former director of the Vietnam Press.

15. Linh is willing to undertake a major reorganization of government information activities. In the new organization, functions will be consolidated and staff levels between the executive staff and the operating staffs will be eliminated. The DGIP's reorganizational plan must, however, still receive Prime Minister Loc's approval. Linh has, however, already established a single Vietnamese Information Service (VIS) Division which encompasses both Saigon and all field elements. A second operating division will handle all external information programs. All service functions will be grouped under a single administrative office.

16. Linh's proposed reorganization of the DGIP also includes the removal of censorship from press and information activities, the establishment of a central policy and programming office with a research and analysis capability, and an inspectorate staff responsible to the director general. Linh has indicated to US officials that he would like to weed out "patronage employees," and has expressed a strong interest in employee training and certification as a requisite for continued employment. It

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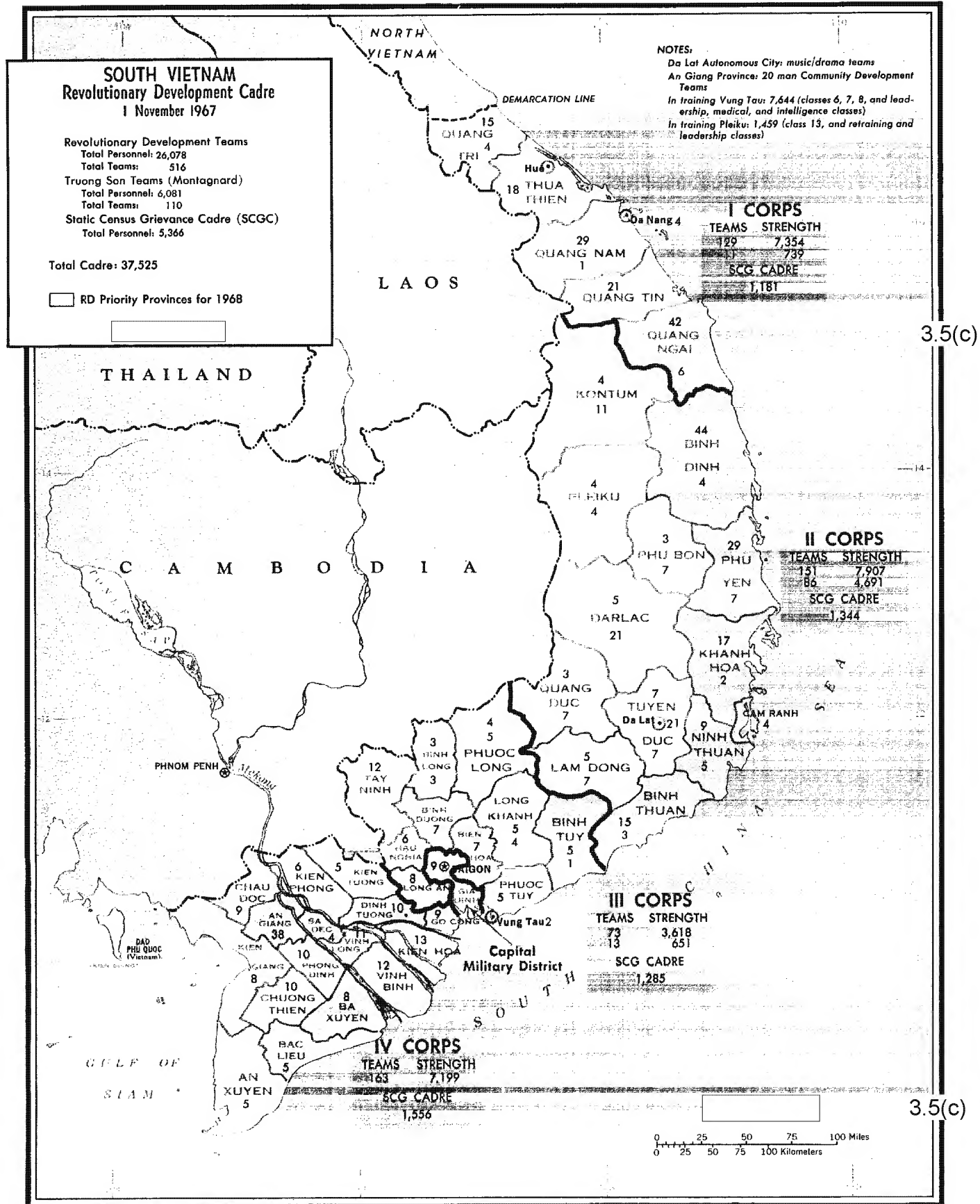
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remains to be seen how effective Linh will be in improving the general output and performance of the VIS, one of the most ineffective provincial agencies.

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III. ECONOMIC SITUATION

The retail price index in Saigon held steady for the third consecutive week at a level on 20 November 33 percent higher than on 3 January. Free market currency and gold prices rose sharply in response to the devaluation of the British pound and the Hong Kong dollar.

Prices

1. Retail prices in Saigon continued to be stable for the third consecutive week at a level on 20 November 33 percent higher than at the beginning of the year. The price of the rice consumed mainly by the working class, which is used in calculating the USAID index, rose somewhat, as did the price of US remilled rice, but other domestic rice prices were unchanged. The embassy attributed the increase in the price of imported rice to the small amount released from government stocks. Despite the increase in the price of rice, the over-all level of food prices was unchanged as better traffic conditions allowed larger deliveries of fish and vegetables. Prices of charcoal and firewood also declined as the result of increased deliveries, but the price of calico rose slightly.

2. Since the beginning of the year food prices have increased 39 percent, while nonfood prices have gone up 19 percent. Rice, pork, and fish are among the leaders, having risen 41, 65, and 67 percent, respectively. These foodstuffs account for about one third of the weights used in calculating the over-all price index, the weights being ratios of total expenditures on each item to total expenditures of an average family budget. (A table of weekly retail prices in Saigon is included in the Annex.)

3. The USAID index for prices of US-financed imported commodities was unchanged during the week

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ending 21 November at a level only 8 percent higher than on 4 January. Prices of many goods were higher, reportedly in part because of rumors of higher taxes and customs duties. Substantial new arrivals caused the price of cement to fall, offsetting the increases for other items.

Currency and Gold

4. Free market currency and gold prices rose sharply on 20 November in response to the devaluation of the British pound and the Hong Kong dollar. The price of green dollars rose eight piasters to 164 piasters per dollar, and the rate for MPC (scrip) increased six piasters to 121 piasters per dollar. The price of gold leaf rose to 211 piasters per dollar, nine piasters higher than the previous week. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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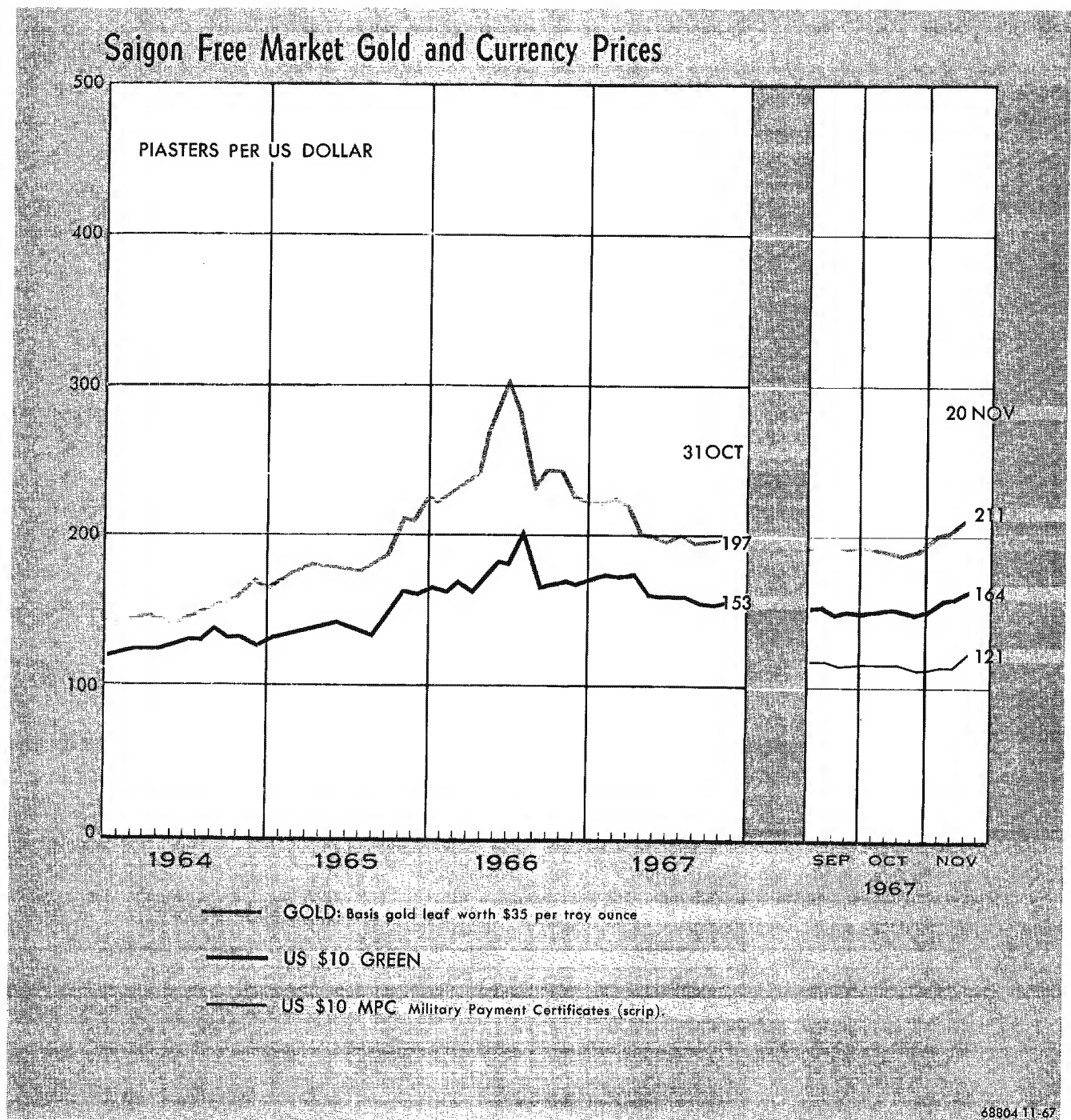
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TABLE

Weekly Retail Prices in Saigon a/

	13 Jun 1966 <u>b/</u>	3 Jan 1967	30 Oct 1967	6 Nov 1967	13 Nov 1967	20 Nov 1967
Index for all Items	<u>173</u>	<u>225</u>	<u>304</u>	<u>300</u>	<u>301</u>	<u>300</u>
Index for Food Items	<u>191</u>	<u>242</u>	<u>325</u>	<u>336</u>	<u>337</u>	<u>327 c/</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,700	2,300	2,250	2,350	2,400
Pork Bellies (1 kg.)	90	130	230	220	220	220
Fish-Ca Tre (1 kg.)	130	150	270	260	260	250
Nuoc Mam (jar)	70	90	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>195</u>	<u>230</u>	<u>233</u>	<u>236</u>	<u>233 c/</u>
Of Which: (In Piasters)						
Firewood (cu. meter)	360	560	520	530	560	520
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	33	46	46	46	47
Kerosene (liter)	7.8	10.5	9	9	9	9

- a. Data are from USAID sources. For all indexes 1 January 1965 = 100.
 b. Price level just prior to the 18 June devaluation.
 c. Preliminary.



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